

The Uses of Credit

Charge Accounts

Credit Cards

Consumer Loans



Types of Charge Accounts

	Time	Characteristics
Regular Accounts	Set by Business	Payment in full within a specific period of time
Budget Accounts	90 days or other set period	Fixed Payments over a set amount of time.
Revolving Accounts	No Set Time	Minimum Payment required monthly; total amount owed can be paid over time. Charges

KWYS

Know **W**hat **Y**ou're **S**igning

Credit Cards

- ✦ Standard
- ✦ Rewards

Cash Back, Travel, Points

- ✦ Secured

Deposit Required, Credit Limit based on the deposit



Credit Card Characteristics

- ✦ Visa, Mastercard, American Express, and Discover
- ✦ Co-Branded Cards
- ✦ Use Revolving Credit Accounts
- ✦ Offers users Rewards
- ✦ Businesses Pay Fees



Store Credit Cards

- ✦ Used only at Issuing Store
- ✦ Special Financing or other Special Offers
- ✦ Stores eliminate interchange fees to banks



Consumer Loans



Other Consumer Loans

- ✦ **Single-Payment Loan**

- ✦ You pay the principal and interest at the end of the Loan Period.

- ✦ **Secured Loan**

- ✦ Use Property or other Assets to guarantee your loan (**Collateral**). **It also can lower the interest rate.** If you do not repay the creditor has the right access the item.

- ✦ Ex.) Home Equity Loan

Installment Credit/Loans

- ✦ Periodic Payments at Specific Times (Monthly)
- ✦ Signed Written Agreement - Stating Terms and Conditions
- ✦ Payments go towards Principal/Interest
- ✦ Finance Charges are based on the amount owed
- ✦ Down Payments
- ✦ Examples: Homes, Cars, Student Loans or other large purchases.

Promissory Note

A written promise to repay.

Ex.) Student Loans

Cosigner

Another party who signs a promissory note, which passes responsibility onto them to repay the loan if you are unable.

Ex.) Family Members